

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION

Enforcement Bureau - San Francisco
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Attorneys for California Department of Insurance

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Licenses and Licensing
Rights of

**ADMIRAL RISK INSURANCE
SERVICES, INC.,
ARUTYUN KARAPETYAN,
aka HARRY KARAPETYAN,
BRIAN KEITH LINEBERGER,
and
BENJAMIN LEE MILLER,**

Respondents.

ACCUSATION

File No. 10LA00557-AP

File No. 11LA00607-AP

File No. 11LA00608-AP

File No. 11LA00609-AP

I

Respondent ADMIRAL RISK INSURANCE SERVICES, INC. was from November 25, 2003, and now is, the holder of a license issued by the Insurance Commissioner of the State of California ("Commissioner") to act as a Fire and Casualty Broker-Agent (License No. 0E020442).

Respondent ARUTYUN KARAPETYAN aka HARRY KARAPETYAN was from July 27, 2009, and now is, the holder of a license issued by the Commissioner to act as a Fire and Casualty Broker-Agent (License No. 0G70351).

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1 Respondent BRIAN KEITH LINEBERGER was from August 31, 2006, and now is, the
2 holder of a license issued by the Commissioner to act as a Fire and Casualty Broker-Agent
3 (License No. 0F32381).

4 Respondent BENJAMIN LEE MILLER was from December 19, 2002, and now is, the
5 holder of a license issued by the Commissioner to act as a Fire and Casualty Broker-Agent
6 (License No. 0D83937).

7 On January 1, 2011, pursuant to AB 2782 (Chapter 400, Statutes of 2010), the fire and
8 casualty broker-agent license was converted into two license qualifications: property broker-agent
9 license and casualty broker-agent license.

11 II

12 Through ongoing investigations initiated by a complaint, the Department of Insurance
13 Investigations Division ("Investigations Division") discovered that from about November 2003 to
14 June 2011, Respondent ADMIRAL RISK INSURANCE SERVICES, INC. ("ADMIRAL
15 RISK") has in this State acted as the managing general agent for nonadmitted insurer Admiral
16 Insurance Company, an affiliated company, and has in that capacity transacted the business of
17 insurance in this State, including but not limited to the underwriting and placement of surplus line
18 insurance with residents of California. ADMIRAL RISK also contracted with California surplus
19 line brokers. ADMIRAL RISK did not at the time hold a surplus line broker license.

21 III

22 The Investigations Division also discovered that from about November 2003 to June 2011,
23 Respondents ARUTYUN KARAPETYAN aka HARRY KARAPETYAN ("KARAPETYAN"),
24 BRIAN KEITH LINEBERGER ("LINEBERGER"), and BENJAMIN LEE MILLER
25 ("MILLER"), designated as "Account Executives" by ADMIRAL RISK, provided surplus and
26 excess liability insurance policies issued by Admiral Insurance Company through wholesale
27 Surplus Lines Brokers but did not at the time hold requisite surplus line broker licenses.

IV

The matters set forth in Paragraph II and III show that Respondents ADMIRAL RISK, KARAPETYAN, LINEBERGER, and MILLER (collectively "Respondents") aided Admiral Insurance Company, an entity not licensed to transact the business of insurance in California, to transact insurance with residents of California, in violation of California Insurance Code section 703.

V

The matters set forth in Paragraphs II through IV show that Respondents have not intended to and have not actively and in good faith carried on as a business with the general public the transactions which are permitted by the license which they hold and constitute grounds for the Commissioner to suspend or revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections 1668(c) and 1738 of the California Insurance Code.

VI

The matters hereinabove set forth in Paragraphs II through IV show that the continued transaction of insurance in this State by Respondents would be against the public interest and constitute grounds for the Commissioner to suspend or revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections 1668(b) and 1738 of the California Insurance Code.

VII

The matters set forth in Paragraphs II through IV show that Respondents lack integrity and constitute grounds for the Commissioner to suspend or revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections 1668(e) and 1738 of the California Insurance Code.

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VIII

The matters set forth in Paragraphs II through IV show that Respondents have engaged in a fraudulent practice or act or have conducted a business in a dishonest manner and constitute grounds for the Commissioner to suspend or revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections 1668(i) and 1738 of the California Insurance Code.

IX

The matters set forth in Paragraphs II through IV show that Respondents have shown incompetency or untrustworthiness in the conduct of a business, or have by commission of a wrongful act or practice in the course of a business exposed the public or those dealing with it to the danger of loss and constitute grounds for the Commissioner to suspend or revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections 1668(j) and 1738 of the California Insurance Code.

X

The matters set forth in Paragraphs II through IV show that Respondents have failed to perform a duty expressly enjoined upon them by a provision of the Insurance Code or have committed an act expressly forbidden by such a provision and constitute grounds for the Commissioner to suspend or revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections 1668(l) and 1738 of the California Insurance Code.

XI

The matters set forth in Paragraphs II through IV show that Respondents have aided or abetted a person in an act or omission which would constitute grounds for the suspension, revocation or refusal of a license or certificate issued under the Insurance Code to the person aided or abetted and constitute grounds for the Commissioner to suspend or revoke the licenses

1 and licensing rights of Respondents pursuant to the provisions of sections 1668(n) and 1738 of
2 the California Insurance Code.

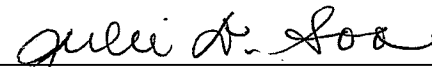
4 XII

5 The matters set forth in Paragraphs II through IV show that Respondents violated a
6 provision of law relating to conduct of business which could lawfully be done only under
7 authority conferred by such license and constitute grounds for the Commissioner to suspend or
8 revoke the licenses and licensing rights of Respondents pursuant to the provisions of sections
9 1668(p) and 1738 of the California Insurance Code.

12 DATED: 8/14/14

CALIFORNIA DEPARTMENT OF INSURANCE

15 By: _____



16 JULIE D. SOO
17 Senior Staff Counsel

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
SAN FRANCISCO

STATEMENT TO RESPONDENT

Attached hereto is a copy of an Accusation which is on file with the office of the Department of Insurance, State of California, 45 Fremont Street, 21st Floor, San Francisco, California, which is hereby served upon you. Affirmative proof of any or all parts thereof may subject your license(s) to suspension or revocation.

Unless a written request for a hearing signed by you or on your behalf is delivered or mailed to the Department of Insurance within fifteen (15) days after the Accusation was personally served upon you or mailed to you, you will be deemed to have waived your right to a hearing in the matter and the Department of Insurance may proceed upon the Accusation without a hearing and take action thereon as provided by law.

The request for a hearing may be made by signing and delivering or mailing the enclosed form entitled "Notice of Defense" or by delivering or mailing a notice of defense within fifteen (15) days, as provided by Government Code Section 11506, to the Department of Insurance, 45 Fremont Street, 21st Floor, San Francisco, California 94105.

The enclosed "Notice of Defense" if signed and filed with the Department of Insurance shall be deemed a specific denial of all parts of the Accusation, but you will not be permitted to raise any objections to the form of the Accusation unless you file another separate notice of defense thereon, provided by Section 11506(a)(3) of the said Code within the said fifteen (15) days.

Copies of Sections 11507.5, 11507.6 and 11507.7 of the Government Code as enacted by Chapter 808 of the Statutes of 1968 (as amended), are set forth on the back of this page and the attached page. If you desire the names and addresses of witnesses or an opportunity to inspect and copy the items mentioned in section 11507.6 of the Government Code in the possession, custody or control of the Department of Insurance, you may contact the counsel the Accusation at 45 Fremont Street, 21st Floor, San Francisco, California 94105.

If you return the enclosed or any Notice of Defense to this Department you will be notified of the date, time and place of hearing. Be sure to keep your address of record with the Department current, as notification will be by mail only.

You may and are encouraged to be represented by an attorney in this proceeding, but such representation is not mandatory.

Procedure for Postponement

If you file a Notice of Defense, this matter may be set for hearing and you will receive a Notice of Hearing setting the time and place of hearing. The hearing may be postponed for a good cause. If you have good cause, you are obliged to notify the agency within ten (10) days of the receipt of the hearing notice after you discover the good cause. Failure to notify the agency within ten (10) days will deprive you of a postponement.

CALIFORNIA GOVERNMENT CODE SECTIONS

11507.5, 11507.6 and 11507.7

11507.5 The provisions of Section 11507.6 provide exclusive right to and method of discovery as to any proceeding governed by this chapter.

11507.6 After initiation of a proceeding in which a respondent or other party is entitled to a hearing on the merits, a party, upon written request made to another party, prior to the hearing and within 30 days after service by the agency of the initial pleading or within 15 days after such service of an additional pleading, is entitled to (1) obtain the names and addresses of witnesses to the extent known to the other party, including, but not limited to, those intended to be called to testify at the hearing, and (2) inspect and make a copy of any of the following in the possession or custody or under the control of the other party:

(a) A statement of a person, other than the respondent, named in the initial administrative pleading, or in any additional pleading, when it is claimed that the act or omission of the respondent as to such person is the basis for the administrative proceeding;

(b) A statement pertaining to the subject matter of the proceeding made by any party to another party or person;

(c) Statements of witnesses then proposed to be called by the party and of other persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, not included in (a) or (b) above;

(d) All writings, including, but not limited to, reports of mental, physical and blood examinations and things which the party then proposed to offer in evidence;

(e) Any other writing or thing which is relevant and which would be admissible in evidence;

(f) Investigative reports made by or on behalf of the agency or other party pertaining to the subject matter of the proceeding, to the extent that such reports (1) contain the names and addresses of witnesses or of persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, or (2) reflect matters perceived by the investigator in the course of his or her investigation, or (3) contain or include by attachment any statement or writing described in (a) to (e), inclusive, or summary thereof.

For the purpose of this section, "statements" include written statements by the person signed or otherwise authenticated by him or her, stenographic, mechanical, electrical or other recordings, or transcripts thereof, or oral statements by the person, and written reports or summaries of such oral statements.

Nothing in this section shall authorize the inspection or copying of any writing or thing which is privileged from disclosure by law or otherwise made confidential or protected as the attorney's work product.

11507.7

(a) Any party claiming his request for discovery pursuant to Section 11507.6 has not been complied with may serve and file with the administrative law judge a motion to compel discovery,

naming as respondent the party refusing or failing to comply with Section 11507.6. The motion shall state facts showing the respondent party failed or refused to comply with Section 11507.6, a description of the matters sought to be discovered, the reason or reasons why the matter is discoverable under that section, that a reasonable and good faith attempt to contact the respondent for an informal resolution of the issue has been made, and the ground or grounds of respondent's refusal so far as known to moving party.

(b) The petition shall be served upon respondent party and filed within 15 days after the respondent party first evidenced his failure or refusal to comply with Section 11507.6 or within 30 days after request was made and the party has failed to reply to the request, whichever period is longer.

(c) The hearing on the motion to compel discovery shall be held within 15 days after the motion is made, or a later time that the administrative law judge may on the judge's own motion for good cause determine. The respondent party shall have the right to serve and file a written answer or other response to the motion before or at the time of the hearing.

(d) Where the matter sought to be discovered is under the custody or control of the respondent party and the respondent party asserts that such matter is not a discoverable matter under the provisions of Section 11507.6, or is privileged against disclosure under such provisions, the court may order lodged with it such matters as are provided in subdivision (b) of Section 915 of the Evidence Code and examine such matters in accordance with its provisions.

(e) The administrative law judge shall decide the case on the matters examined in camera, the papers filed by the parties, and such oral argument and additional evidence as the administrative law judge may allow.

(f) Unless otherwise stipulated by the parties, the administrative law judge shall no later than 15 days after the hearing date its order denying or granting the petition. The order shall be in writing setting forth the matters the moving party is entitled to discover under Section 11507.6. A copy of the order shall forthwith be served by mail by the administrative law judge upon the parties. Where the order grants the petition in whole or in part, the order shall not become effective until 10 days after the date of the order is served. Where the order denies relief to the moving party, the order shall be effective on the date it is served.